

TENNESSEE HOUSING DEVELOPMENT AGENCY



SECTION 8 TO HOMEOWNERSHIP PROGRAM

GENERAL INFORMATION

The Tennessee Housing Development Agency's Section 8 to Homeownership program offers a mortgage subsidy to low income families that are not able to afford a mortgage payment for a home in the area where they reside without some financial assistance. In the Housing Choice Voucher program, families typically pay 30% of their monthly-adjusted income (or the family's Total Tenant Payment) toward homeownership expenses, and the Tennessee Housing Development Agency (THDA) pays the difference between the family's Total Tenant Payment and the actual monthly mortgage payment. The mortgage assistance payment must be paid directly to the lender or loan servicing company, and not to the family. THDA is excited to offer this new opportunity to low-income families. We encourage all interested parties to contact us at 615-741-4980 with questions, and make the receptionist aware that you need to speak with someone about the Section 8 to Homeownership Program.

THE PROCESS

First,

The Housing Choice Voucher (HCV) participant submits a pre-application for homeownership. THDA will determine if the family meets the initial eligibility requirements to participate in the Section 8 to Homeownership program.

In order to participate, the family must:

1. be a Housing Choice Voucher applicant or participant that **currently holds a housing choice voucher**. If a family is interested in receiving homeownership assistance but is not a current participant or has not been issued a voucher by THDA, they must first apply for the HCV program through the regular waiting list process. HCV waiting lists are maintained by county and vary in length. Some families may wait a short period of time, while others wait up to several years dependent on program demand.
2. either be enrolled in a Family Self Sufficiency (FSS) Program through THDA or another Tennessee non-profit agency, or the family must include a disabled head or spouse.
3. be employed for at least 24 months (employment must average a minimum of 30 hours per week), unless disabled.
4. have income of at least **\$12,500** per year. Public Assistance income may not be used for meeting this requirement, except for households in which the head or spouse is disabled or in which the household includes a disabled person other than the head or spouse.
5. be a "first-time homeowner" where a family member must not have owned title to a principal residence in the last three years.

Second,

THDA will contact families that meet the initial eligibility criteria, and refer them to the homebuyer educator(s) in their area. The family also may be invited to attend an orientation session with a homebuyer educator once they are qualified. HCV participants that wish to use their voucher for homeownership must enroll in a qualified homebuyer education or counseling program. The program must include: budget and money maintenance, credit counseling, knowing the players and their roles in the home buying process, how to negotiate purchase price, preparation for loan qualification and application, how to obtain homeownership financing, how to find a home, advantages of purchasing and how to locate a home in an area that does not have a high concentration of low-income families, maintaining a home, avoiding delinquencies, defaults and foreclosures. A minimum of 8 hours of homebuyer education must be completed before an applicant may use their voucher to purchase a home. Some families may require more extensive homebuyer education or financial fitness classes before they are determined ready to purchase a home. The number of hours of homebuyer education necessary for each family varies dependant upon each family's financial circumstances.

The family must also complete post-purchase homebuyer education or counseling.

Third,

After the family completes pre-purchase homebuyer education and is determined mortgage-ready by THDA staff and the homebuyer education partner, the family may begin searching for appropriate financing and ideally become pre-approved for a mortgage loan with a lender. **THDA discourages the family from searching for financing or working with a realtor until after they have completed homebuyer education and are determined mortgage ready.** The family may choose to utilize either a one or two-mortgage model for homeownership.

Two-Mortgage Model

If the family chooses to work with one of the Neighborworks® Organizations (NWOs) in Tennessee, such as Affordable Housing Resources, Housing Development Corporation of the Clinch Valley, Knox Housing Partnership or United Housing, the family will receive homebuyer education through the NWO, and typically follow a two-mortgage model for homeownership. After entering into a homebuyer education program with the NWO, each applicant will be evaluated for mortgage readiness. The family will apply for a traditional first mortgage based on 29 percent of their gross income. Upon approval of the first mortgage loan, the NWO will provide the family a second mortgage at a competitive interest rate. The second mortgage will provide the difference between the participant's first mortgage and the sale price of the home. The Section 8 voucher payments will be paid to the NWO to retire the second mortgage for a term of up to fifteen (typically ten) years based on buyer's need. The family is responsible for the monthly payment towards the first mortgage loan for the term of the loan.

One-Mortgage Model

If the family chooses to obtain homebuyer education from a THDA partner that does not offer second mortgage financing, such as Rural Legal Services or Tennessee Network for Community and Economic Development, the family will follow the one-mortgage model. The lender chosen by the family must be willing to service two separate monthly mortgage payments (one from the family and one from THDA on behalf of the family). U.S. Department of Housing and Urban Development Mortgagee Letter 2001-20 advises lenders of the manner in which they are to underwrite FHA- insured mortgages when the homebuyer is to receive subsidies under the Housing Choice Voucher program. The family will be given a letter from THDA to provide to their lender that verifies the current monthly housing assistance payment for the family.

Rural Development, Firststar Home Mortgage and other lenders have agreed to service mortgage loans for families receiving a mortgage assistance payment through the HCV program

Finally,

Once the family completes the required homebuyer education and secures appropriate financing, the family must locate a suitable home. The family selects their own Realtor. **The participant selects the real estate agent of their choice, but participants are encouraged not to contact a real estate agent until after completing the required pre-homebuyer education. Some "mortgage ready" participants may get started as soon as possible since they will not be delayed from purchasing by credit repair issues.** The Realtor should keep in mind that the contract must include a few unique criteria in order to meet the federal regulations governing the Section 8 to Homeownership Program, and the family must secure a loan with acceptable terms (see below). Most importantly, in addition to a private home inspection, the unit must pass a THDA Housing Quality Standards inspection prior to closing, and any deficiencies found in the HQS inspection must be repaired by the seller prior to closing.

IMPORTANT ADDITIONAL INFORMATION

The contract:

1. The contract MUST include a contingency on the house passing a Housing Quality Standards (HQS) inspection conducted by THDA as well as an inspection performed by an independent home inspector. Any repairs required by THDA must be completed by the seller and pass a final inspection by THDA before closing. This is a federal requirement for participation in the Section 8 to Homeownership Program, and is NOT NEGOTIABLE.
2. The contract MUST include the following statement to be acknowledged by the Seller. "I certify that I am not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24" (this is part of the Code of Federal Regulations).

The loan application:

1. The mortgage lender is not allowed to charge the participant an above-market interest rate or discount points.
2. The participant MUST get a fixed rate mortgage (adjustable rate mortgages and buydowns are not allowed). Mortgage bankers are preferred over mortgage brokers.
3. Closing costs for the participant must comply with standard practices in the area and may be included in a 2nd mortgage, if necessary. The participant must have 1% of his or her own money as down payment on the home.
4. THDA must send the mortgage assistance payment to the lender. Thus, each month the family will make a mortgage payment to the lender, and THDA will make a mortgage payment on behalf of the family to the lender. If two monthly payments are difficult for a particular lender to service, Firststar Bank has an interest in purchasing mortgages for the Section 8 to Homeownership program (see additional information included in packet).

THDA MUST REVIEW AND APPROVE THE LOAN APPLICATION PACKAGE BEFORE CLOSING TO ENSURE ITS TERMS MEET THE REQUIREMENTS FOR ELIGIBILITY IN THE HOMEOWNERSHIP VOUCHER PROGRAM.

TENNESSEE HOUSING DEVELOPMENT AGENCY

SECTION 8 TO HOMEOWNERSHIP PARTNERS

All participants in the Section 8 to Homeownership program must complete homebuyer education classes. The following non-profit organizations have partnered with THDA to provide homebuyer education, and/or in some cases, financing to Section 8 to Homeownership participants. The first step in the process of qualifying to use your voucher to purchase a home is to contact one of these organizations to begin homebuyer education.

AFFORDABLE HOUSING RESOURCES, INC.

Neighborworks®

Phone: (615) 251-0025

Affordable Housing Resources, Inc. (AHR) is a “one-stop” shop for all the needs of the 1st time homeowner, offering a variety of programs to assist low-to-moderate income homebuyers in Middle Tennessee. AHR provides homebuyer education classes, pre- and post-purchase counseling, new home construction, and financial assistance to qualified buyers for down payment and closing costs. They also have a variety of loan products for qualified homeowners needing home repair, home improvements, or foreclosure intervention.

Area Served: Middle Tennessee (including Davidson, Cheatham, Maury, Montgomery, Robertson, Rutherford, Sumner, Trousdale, Williamson, Wilson Counties)

HOUSING DEVELOPMENT CORPORATION OF THE CLINCH VALLEY

Neighborworks®

Phone: (865) 482-7345

The Housing Development Corporation of the Clinch Valley, Inc. (HDCCV) is a “one-stop” shop for all the needs of the 1st time homeowner, offering a variety of programs to assist low-to-moderate income homebuyers in East Tennessee. HDCCV provides homebuyer education classes, pre- and post-purchase counseling, new home construction, and financial assistance to qualified buyers for down payment and closing costs. They also have a variety of loan products for qualified homeowners needing home repair, home improvements, or foreclosure intervention.

Area Served: Anderson, Campbell, Monroe, Morgan and Roane Counties

KNOX HOUSING PARTNERSHIP

Neighborworks®

Phone: (865) 637-1679

The Knox Housing Partnership (KHP) is a “one-stop” shop for all the needs of the 1st time homeowner, offering a variety of programs to assist low-to-moderate income homebuyers in East Tennessee. KHP provides homebuyer education classes, pre- and post-purchase counseling, new home construction, and financial assistance to qualified buyers for down payment and closing costs. They also have a variety of loan products for qualified homeowners needing home repair, home improvements, or foreclosure intervention.

Area Served: Knox County

UNITED HOUSING

Neighborworks®

Phone: (901) 272-1122, ext. 27

United Housing, Inc. (UH) is a “one-stop” shop for all the needs of the 1st time homeowner, offering a variety of programs to assist low-to-moderate income homebuyers in Shelby County. UH provides homebuyer education classes, pre- and post-purchase counseling, new home construction, and financial assistance to qualified buyers for down payment and closing costs. They also have a variety of loan products for qualified homeowners needing home repair, home improvements, or foreclosure intervention.

Area Served: Shelby County

Neighborworks® is a registered service mark of Neighborhood Reinvestment Corporation.

TENNESSEE NETWORK FOR COMMUNITY AND ECONOMIC DEVELOPMENT

Phone: (615) 226-8868

The Tennessee Network for Community and Economic Development (TNCED) offers homebuyer education (short or long-term dependant on the individual’s needs). TNCED has special programs designed to meet the needs of the *physically and mentally disabled*. As part of the homebuyer education process, TNCED works with families to determine their level of mortgage readiness, and also assists families with selecting the most appropriate financing.

Area Served: Statewide Network of Services with a focus on disabled services

WEST TENNESSEE LEGAL SERVICES

Phone: (901) 423-0616 or (800) 372-8346

West Tennessee Legal Services offers a homebuyer education program and pre- and post-purchase counseling through the various Legal Services branches throughout the state.

Area Served: Statewide Network of Legal Services

RURAL DEVELOPMENT

Phone: (615) 783-1375

Rural Development offers low interest loan products to consumers in targeted rural counties. Rural Development does not offer homebuyer education.

Area Served: All Rural Counties in Tennessee

SAMPLE LETTERS

SAMPLE LETTER

[Name]
[Address]
[City,State,Zip]

Dear Section 8 Participant:

Thank you for contacting the Tennessee Housing Development Agency (THDA) and expressing your interest in the Section 8 to Homeownership Program. You have just taken your first step toward a better future and possibly owning your own home!

Before we can get started working with you toward homeownership, we need you to complete the enclosed pre-application. The pre-application will allow us to complete a preliminary assessment of your eligibility for the Section 8 to Homeownership Program and “mortgage-readiness.” A critical component of participation in the Section 8 to Homeownership Program is being financially ready to secure a mortgage loan. However, even if you have credit repair issues that must be resolved, one of the THDA partner homebuyer education agencies may be able to help you achieve your goal of homeownership.

Once you have completed the pre-application, please return it to Debra Brown at 404 James Robertson Parkway, Suite 1114, Nashville, TN 37243-0900. If you have questions when completing the pre-application, please contact Ms. Brown at 615-741-4980.

We look forward to working with you toward the goal of homeownership!

Sincerely,

Laura Swanson
Director of Rental Assistance

SAMPLE LETTER

Date

Mortgage Company

Address

City, State, Zip

Attention: Loan Officer

Dear "Loan Officer":

Please be advised that _____ is approved to participate in the Section 8 Homeownership Voucher Program through the Tennessee Housing Development Agency (THDA). In 1999, Congress passed legislation allowing Public Housing Authorities, like THDA, to use Section 8 rental assistance vouchers for homeownership and in the process help move Section 8 recipients off of the Section 8 program.

Under the program, the family pays approximately 30 percent of their monthly-adjusted income (Total Tenant Payment) for monthly homeownership expenses. THDA makes a monthly payment directly to the lender for the difference between the family's Total Tenant Payment and the monthly mortgage payment. At this time, THDA may pay _____ dollars monthly on behalf of _____. The payment must be paid directly to the lender to be applied to the principal and interest on the mortgage, and can not be paid to the Section 8 participant. The maximum term of the Section 8 payment is fifteen years for a loan with a term of 20 years or more, and ten years for loan with a term of less than 20 years. The disabled are excluded from the maximum term, and may receive a mortgage assistance payment for the full term of their loan.

Ultimately, the program empowers our lower income working and disabled citizens; first by moving them off the government's support, then by bringing them into the economic mainstream through the ability to create wealth via their home equity.

If you have any questions, please feel free to contact me at (615) 741-4980.

Sincerely,

Laura Swanson

Director of Section 8 Rental Assistance

REQUIRED FORMS

TENNESSEE HOUSING DEVELOPMENT AGENCY

SECTION 8 TO HOMEOWNERSHIP VOUCHER PROGRAM

PRE-APPLICATION

Please answer each question below.

1. Applicant Name: _____ 2. Social Security No. _____
3. Address: _____
4. Birth Date: _____ 5. Gender: ? Male ? Female
6. Marital Status: ? Married ? Single, never married ? Separated ? Divorced
7. Phone number: _____ E-mail: _____
8. Is Applicant a Family Self Sufficiency Participant in THDA's FSS Program: ? Yes ? No
9. Is Applicant disabled? ? Yes ? No. If YES, does Applicant receive SSI? ? Yes ? No
10. Is Applicant enrolled in an Individual Development Account or other self-sufficiency program? ? Yes ? No. If YES, what agency administers the IDA or self-sufficiency program? _____
11. Has Applicant ever owned a home? ? Yes ? No
12. Does Applicant desire to purchase home with another person or co-borrower? ? Yes ? No
If YES, complete the following:
Co-Applicant's name: _____ Social Security No. _____
Co-Applicant's relation to Applicant: ? Spouse ? Unrelated Other Adult ? Relative

Authorization:

I authorize the Tennessee Housing Development Agency (THDA) or partner agency to access my credit report if they deem necessary to process my pre-application for the Section 8 to Homeownership Program.

Signature:

Applicant

Date

Co-Applicant

Date

INCOME, ASSETS and DEBTS

Please list the income, assets and debts of ALL applicants.

Sources of Applicant(s) Income:

Source _____ Amount per month: \$ _____

Source _____ Amount per month: \$ _____

Source _____ Amount per month: \$ _____

Source _____ Amount per month: \$ _____

Employer's Name and Address: _____

Position: _____ Number of Years on the Job: _____

Sources of Applicant(s) Assets:

Does Applicant(s) have a checking account? ? Yes ? No. If YES, current balance: \$ _____

Does Applicant(s) have a savings account? ? Yes ? No. If YES, current balance: \$ _____

Debt

Does Applicant(s) have a credit card(s)? ? Yes ? No.

If YES, current amount owed on all cards: \$ _____.

Does Applicant(s) have an installment loan (such as a car or furniture loan)? ? Yes ? No

If YES, current amount owed on all installment loans: \$ _____.

Does Applicant(s) have other debts owed? ? Yes ? No

If YES, list amount owed: \$ _____.

Is the Applicant(s) responsible for paying child support or alimony each month? ? Yes ? No

If YES, list monthly payment: \$ _____.

Monthly Rent Payment (portion that you pay—do not include amount that THDA pays on your behalf):

Monthly Utility Payment: \$ _____.

Is the Applicant(s) currently delinquent (late payments) or in default (failure to pay) on any debt, loan, or financial obligation? ? Yes ? No

Has Applicant(s) declared Chapter 7 bankruptcy in the past 7 years? ? Yes ? No

Has Applicant(s) declared Chapter 11 bankruptcy in the past 7 years? ? Yes ? No



**TENNESSEE HOUSING DEVELOPMENT AGENCY
SECTION 8 TO HOMEOWNERSHIP PROGRAM**

STATEMENT OF HOMEOWNERSHIP OBLIGATIONS

1. The participant must comply with the terms of any mortgage securing the debt incurred to purchase the home, and any refinancing of such debt.
2. During the period of time the participant is receiving homeownership assistance the family may not sell, convey, or transfer any interest in the home to any entity or person other than a member of the assisted family residing in the home.
3. During the period of time the participant is receiving homeownership assistance, the family may not secure a home equity loan without the written consent of THDA.
4. During the period of time the participant is receiving homeownership assistance, the family must provide information on any mortgage or other debt incurred to purchase the home, and any refinancing of such debt, and any sale or other transfer of interest in the home.
5. During the period of time the participant is receiving homeownership assistance, the family must notify THDA if the family defaults on a mortgage securing any debt incurred to purchase the home.
6. During the period of time the participant is receiving homeownership assistance the family must notify THDA before the family moves out of the home.
7. At annual recertification, the participant must document that he or she is current on mortgage, insurance and utility payments.

By signing below, I agree to the terms of the Section 8 Homeownership Voucher Statement of Homeownership Obligations listed above.

Signature, Homeownership Voucher Participant
(Borrower)

Signature, Co-Borrower, if applicable



**TENNESSEE HOUSING DEVELOPMENT AGENCY
SECTION 8 HOMEOWNERSHIP VOUCHER PROGRAM**

AGREEMENT TO COMPLY WITH PROGRAM REQUIREMENTS

This AGREEMENT TO COMPLY WITH PROGRAM REQUIREMENTS ("Agreement") is made and entered into as of the _____, by and among Tennessee Housing Development Agency ("THDA"), and _____ ("borrower").

BACKGROUND

A. As a first time homebuyer, the borrower has requested that THDA provide them with assistance to purchase a home located at _____ (the "Property"), more particularly described in the "Limited Warranty Deed", through the Section 8 Homeownership Voucher Program (the "Program") of the United States Department of Housing and Urban Development ("HUD"). The assistance from THDA is in the form of a voucher to assist the borrower in making monthly payments on the _____ Deed of Trust Note (the "Loan") with _____. The voucher may increase or decrease in amount each year, depending on the borrower's eligibility for the Program under the Rules and Regulations (as defined below).

B. The borrower agrees to abide by the requirements of the Section 8 Homeownership Voucher Program located at 24 CFR Part 982, other rules and regulations that may be announced from time to time by HUD or THDA (collectively, the "Rules and Regulations"), as well as any additional rules and regulations set forth in the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Receipt of Current Rules and Regulations.** The Rules and Regulations are incorporated into this Agreement by reference and are part of this Agreement to the same extent they would be if they were reproduced here. The borrower must comply with the Rules and Regulations. The borrower may obtain a copy of the current Rules and Regulations from THDA. The borrower understands that the Rules and Regulations may change from time to time, and agrees to comply with any future Rules and Regulations as well as the current Rules and Regulations.

2. **Homeownership Counseling.** The borrower must have finished a minimum of 8 hours of pre-purchase homebuyer education before the commencement of this Agreement. The borrower must complete at least 6 hours of post-purchase counseling through Habitat for Humanity, or another THDA-approved counseling agency, within one-year of the date of this Agreement.

3. **Property Inspection.** On or around the first anniversary of the date of this Agreement, the borrower must make the Property available for inspection by THDA. If this inspection shows that the unit is not in compliance with the Section 8 Housing Quality Standards (HQS), THDA will provide a list of deficiencies. THDA will not reinspect to determine if the deficiencies have been corrected, but THDA encourages the borrower to correct the deficiencies within sixty (60) days.

4. **Home Maintenance.** As the owner of the Property, the borrower is responsible for all maintenance and repairs of the Property. Home maintenance includes all aspects of maintaining the interior and exterior of the Property in good condition, including, for example, lawn care, maintenance of the sidewalks in front of the Property, providing for utilities, telephone, cable service and repair, maintaining and repairing the plumbing and electrical systems, and other repair and maintenance items. The borrower accepts responsibility for home maintenance and repairs.

5. **Required Annual Recertification and Information.** In accordance with the terms of the Section 8 program, the borrower must be reviewed and recertified annually by THDA in order to continue receiving Voucher Assistance. The borrower must supply THDA with any information that THDA requests in connection with its review.

When THDA completes its review, it may decide that (a) the borrower is eligible for less Voucher Assistance under the Program, or (b) the borrower is no longer eligible for any Voucher Assistance under the Program. REGARDLESS OF WHETHER THE ELIGIBILITY FOR VOUCHER ASSISTANCE INCREASES, DECREASES, OR STAYS THE SAME, THE BORROWER IS STILL RESPONSIBLE FOR REPAYING THE LOAN AND ALL OTHER AMOUNTS DUE UNDER THE LOAN IN ACCORDANCE WITH THE TERMS OF THE NOTE.

6. **Restriction on Occupancy of Home.** The borrower may only continue to receive Voucher Assistance through the Program while the borrower and family (as defined in the Rules and Regulations) continue to reside in the Property. You must notify THDA if you decide to move out of the home so that THDA may determine if you are eligible to continue to receive Voucher Assistance through the Program after you move-out. If you would like to sell the Property and purchase a new home, you must first notify THDA so that THDA may determine if you may receive Voucher Assistance through the Program for a new home.

7. **Right of Recapture.** HUD regulations for the Program at 24 CFR 982 require THDA to impose certain recapture requirements because federal funds may be used to assist the borrower. In return for THDA providing the Voucher Assistance, the borrower agrees that a portion of the proceeds from any sale of the Property will be subject to recapture by THDA as set forth in the Rules and Regulations. Sales proceeds that are used by the family to purchase a new home with Section 8 Homeownership Voucher assistance are not subject to recapture. The borrower may refinance to take advantage of a lower interest rate, or better mortgage terms, without any recapture penalty. Only those proceeds realized upon refinancing that are retained by the borrower are subject to the program recapture provision.

8. **Prohibition on Ownership Interest on Second Residence.** Until you have completely repaid the Loan, no member of your family (as defined in the Rules and Regulations) may have any ownership interest in any other residential property (except as may be permitted by the Rules and Regulations) or receive another mortgage subsidy for the same property or for a different property.

9. **Restrictions on Home Equity Loans.** The borrower may not secure a home equity loan without the written consent of THDA.

10. **Illegal Acts: Use of the Property.** You must not commit fraud, bribery or any other corrupt or criminal act in connection with the Program or otherwise. You must not use the Property for disorderly and/or immoral purposes, or in violation of any local, federal, or state laws, rules or ordinances in force on or after the date of this Agreement. You must not commit any illegal or unlawful act in, upon, or within the boundaries of the Property. You must not bring or keep any explosive or obnoxious substances, or other flammable or combustible matter in or upon the Property.

11. **Notice of Mortgage Default.** You must notify THDA immediately if you default on the repayment of any indebtedness that is secured by the Property or if you default under the terms of any deed of trust encumbering the Property.

12. **Term.** This Agreement shall be effective from the date of this Agreement until the borrower no longer receives Voucher Assistance.

BORROWER(S):

Signer

Co-Signer

TENNESSEE HOUSING DEVELOPMENT
AGENCY

By:_____

Title:_____



**TENNESSEE HOUSING DEVELOPMENT AGENCY
SECTION 8 TO HOMEOWNERSHIP VOUCHER PROGRAM**

SALES CONTRACT ADDENDUM

The seller(s): _____ hereby certifies that he/she is not debarred, suspended, or subject to a limited denial of participation in the Section 8 program under Code of Federal Regulations Section 24, Part 982.

The seller(s) understands that the house must pass the Tennessee Housing Development Agency's Housing Quality Standards (HQS) inspection before closing.

Seller Signature

Date

Seller Signature

Date